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SUBJECT: ELECTION OF NEW FRENCH BUSINESS LEADER HINTS AT
LARGER SOCIAL AND ECONOMIC MAKEOVER

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SUMMARY

1. (SBU) France's leading business association, MEDEF, on July 5 elected Laurence Parisot, head of major French pollster, IFOP, as its new president. Parisot is a first for MEDEF, both in that she is the CEO of a cutting-edge services sector business and a woman. MEDEF has long been considered a conservative organization, dominated by smokestack industry business concerns and patriarchal bosses. As one of France's major "social partners," alongside labor unions and the government, MEDEF is key to advancing social and economic reforms in France. Parisot's election comes at a time of deep transition and dislocation in France, with some commentators going so far as to suggest that a long gestating crisis -- in France's governmental structures, and its economic and social "models" -- may be coming to head with the end of Jacques Chirac's 10 years as president (current term ends in May 2007). In her acceptance speech Parisot stressed MEDEF's commitment to promoting the global competitiveness of France's economy, and placed special emphasis on the importance of research and innovation. Unabashedly pro-market and pro-business, Parisot also reiterated MEDEF's long-standing calls for a reduction in the tax, regulatory, social security burdens on businesses. There is strong resistance to tampering with the underpinnings of France's "social model," particularly in government bureaucracies and labor organizations. If she should be successful in catalyzing movement on these neuralgic issues, Parisot will have to convince an overcautious French political class and the public at large that MEDEF is acting in the wider interest of French society, something her predecessors have never succeeded in doing. End Summary.

MEDEF: turning over a new leaf

2. (SBU) By putting at its helm a woman who established her reputation as an business leader as the head of a major polling firm, the French employers' association MEDEF (Movement of French Entreprises) clearly signaled its willingness to take a new direction. MEDEF's 750,000 members, comprising large as well as small-and-medium-sized companies, sent a message to French society at large that it intended to modernize. Laurence Parisot's victory is ground-breaking in that it manifests the primacy of services over industry, of newer, smaller businesses over older, larger industries, and of a younger generation of salaried business leaders over older, "captains of industry."

3. (SBU) The election of Parisot was far from a foregone conclusion. She competed against former Economy and Finance Minister Francis Mer and Guillaume Sarkozy, President of MEDEF's federation of textile industries (and brother of the Interior Minister and Presidential hopeful Nicolas Sarkozy). However, Parisot is said to have benefited from the discreet but active support of French President Jacques Chirac, retail magnate Francois Pinault of Pinault-Pintemps-LaRedoute, and Claude Bebear of the insurance giant AXA.

Parisot's Agenda

4. (SBU) In her acceptance speech, the new head of MEDEF spoke of the need to make people "love the market economy" -- a daunting challenge in a country where a range of leading political figures, including President Chirac and centrist

politicians and labor leaders, regularly decry "Anglo-Saxon-style liberalism." Parisot also talked of promoting employment by bringing greater flexibility to the French job market, simplifying the 600 article-strong French Labor Code, cutting labor costs, and developing closer ties between universities and businesses to prime the pump of a knowledge-based economy. Parisot underlined that her proposals tracked with the "Lisbon Agenda" -- the EU's competitiveness priorities agreed to the EU heads of state meeting in Lisbon in 2000. Parisot also intimated that she might resurrect the MEDEF's 1999 "project for "social renewal, which, at the time, led to a breakdown of talks between the then-Socialist government, trade unions and employers. Winning the public's support for a business friendly approach to social and economic policy will be key to Parisot's success, given her ambitious agenda.

Difficulties ahead

15. (SBU) An expert on French public opinion, Parisot takes over at a time of deep-rooted economic and social malaise in France, fuelled by unemployment at a five-year high of 10.2 percent. A poll jointly conducted by the economic magazine "L'Expansion" and the pollster CSA in October 2004 shows that outsourcing and relocation outside France is seen as a "serious phenomenon" by 88 percent of the French population and as a "lasting" one by 70 percent. A third of the population further believes that they or someone they know will lose their job. This is considerably worse than a decade ago, when globalization was already perceived as having a negative impact on employment in France. Many French economists stress that the fear of relocations and outsourcing is "irrational" -- for example, since both together accounted for only for only 1 percent of job losses in 2004, losses more than offset by the estimated 20,000 jobs created by foreign investment every year.

16. (SBU) Feeding the public's possibly exaggerated fears of outsourcing, some left-leaning political parties and labor organizations attempt to portray MEDEF as the vanguard of "neo-liberalism," and the engine of job losses and economic insecurity. Many "anti-liberal" sympathizers also opposed the EU Constitution in the referendum on it, which took place last May. The clear defeat of the proposed constitution understandably buoyed those who opposed it, possibly making them more combative in the upcoming debates -- MEDEF leading the charge for liberal reform -- on questions of economic and social policy (in particular, the upcoming debate on unemployment benefits and the financing thereof).

Upcoming debate on unemployment insurance

17. (SBU) MEDEF's Directors for Social Affairs and for Employment told us on July 13 that they believed the French left's resistance to economic and social reform will likely resurface in September, with the start of negotiations on the future of the French unemployment insurance scheme, among the last of the French welfare state's "third-rail," sacred cows. The financial situation of the principal unemployment insurance fund (UNEDIC), jointly managed by trade unions and employers, has worsened dramatically over the past few years.

18. (SBU) The fund will face a deficit of between 13 and 15 billion Euros by the end of the year. This is a six-fold increase compared to the deficit faced 3 years ago, when the first cutbacks in benefits and increases in contributions were agreed to. At the time, two trade unions, the one-time Communist, (General Confederation of Labor) CGT and its offshoot, the sometimes more militant, but much smaller, CGT-FO, refused to sign the agreement. They objected to the "back-to-work assistance plan" (PARE), designed to speed up return to the workforce by the unemployed, through greater "supervision." MEDEF will be backing similar strictures to cut costs this time around also; for example, MEDEF favors tightening requirements for entitlement to unemployment benefits, along with a series of measures to exert greater control over an unemployed person's discretion to turn down job offers.

Resistance to change may be weakening

19. MEDEF hopes that public attitudes towards generous unemployment benefits may be changing as the character of France's workforce changes -- becoming more youthful as baby-boomers retire, with ever more frequent jobs changes, in an ever more services-oriented economy. (This sea-change includes a significant drop in trade union membership - now at an all-time low -- from over 23 percent of the workforce

in 1978 to between 7 and 8 percent today. Today, France's workforce consists of 7 million employees in the services sector, as opposed to 5 million in industry, 1 million in construction and public works, and another 5 million in government jobs.) A recent poll by the CREDOC research center shows that an overwhelming 84 percent of the French population wants unemployment benefits curtailed and "greater guidance" exerted over the unemployed to get them back to work faster.

...but remains formidable nonetheless

10. (SBU) The opposition MEDEF foresees stems from established, labor organizations seeking to sustain benefits that protect their members, and from a renewed, leftist populism that persists in demonizing business. According MEDEF, French trade unions no longer react along predictable ideological lines because they are no longer "politically representative" bodies. This ideological void has been filled by new (often distantly "Trotskyite inspired" groups, such as SUD, Attac and LCR,) which are attracting new members with their aggressive anti-globalization, anti-liberalism stances. MEDEF is planning a sustained campaign to educate the public about such issues as unemployment insurance (and lay-off compensation) reform and labor code reform, before pressing its positions with its union and government "social partners." If Parisot -- an opinion professional -- succeeds in swinging public opinion to MEDEF's outlook on these issues, she will have accomplished a goal, which was elusive to all her predecessors.
STAPLETON